

## U.S. Economy & Market Perspective

As we move further into the second quarter of 2026, the broader economic backdrop remains relatively constructive despite continued geopolitical uncertainty and elevated market volatility. Consumer spending has remained resilient, business investment continues to expand, and labor market conditions remain historically strong.

At the same time, higher oil prices tied to the ongoing tensions are creating additional inflation pressures across parts of the economy. Energy costs continue to impact transportation, shipping, travel, and manufacturing expenses, contributing to higher prices for both businesses and consumers.

While these pressures may create periods of short-term market turbulence during the summer months, the broader data currently suggests the economy continues to expand rather than contract.

## Consumer Spending & Inflation Pressures

Consumer spending remains the largest driver of U.S. economic growth, accounting for a significant portion of overall GDP activity. Recent spending data has continued to come in stronger than expected, supported in part by steady employment conditions and additional seasonal cash flow from the 'no tax on tips' and 'no tax on overtime' tax refunds.

Simultaneously, elevated oil prices are beginning to place additional pressure on household budgets. Higher fuel costs can impact everything. Additionally, many goods are made from the oil in its various forms. As these costs move through the economy, consumers may begin to feel more strain in the months ahead.

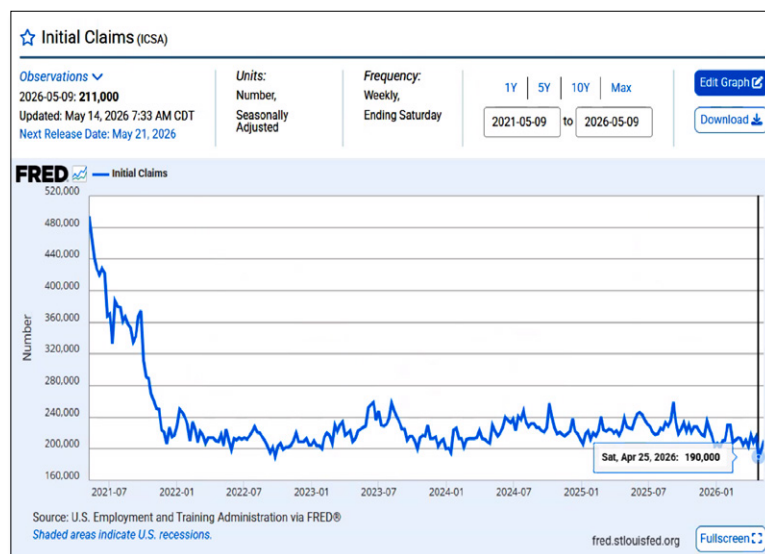
For now, spending activity remains healthy. However, if energy prices remain elevated for an extended period of time, consumer spending growth could moderate later this summer as households adjust to higher costs.

## Labor Market Conditions

Despite concerns surrounding inflation and global uncertainty, the labor market continues to show considerable strength. Initial jobless claims remain near historical lows, suggesting that layoffs remain limited and businesses continue to retain workers.

Stable employment conditions remain one of the most important supports for the economy. As long as households continue to maintain income and cash flow, consumer spending activity is more likely to remain resilient even during periods of higher prices and market volatility.

Historically, meaningful economic contractions have often been accompanied by significant deterioration in employment conditions. At this stage, current labor market data does not yet point toward that type of environment.



## Market Volatility

Following the sharp market rebound that occurred after the March pullback, valuations across parts of the market have become increasingly elevated. While strong recoveries are common after periods of volatility, markets do not typically move higher in a straight line indefinitely. As a result, investors should be prepared for the possibility of additional short-term volatility or periods of consolidation during the summer months.


Higher oil prices, inflation concerns, interest rate uncertainty, and geopolitical events can all contribute to increased market swings in the near term. Importantly, short-term volatility does not necessarily indicate a long-term deterioration in economic fundamentals. Markets frequently experience temporary pullbacks even during periods of ongoing economic growth.

## GDP Growth & Business Investment

Recent estimates from the Federal Reserve Bank of Atlanta continue to project relatively strong economic growth for the current quarter, with GDP estimates remaining near 4%. While growth rates may fluctuate as additional data becomes available, the broader trend continues to point toward expansion.

In addition to consumer spending, business investment remains an important source of economic support. Investment tied to technology infrastructure, manufacturing expansion, artificial intelligence, energy development, and data centers continues to drive elevated levels of capital spending across multiple sectors of the economy.

Government spending has also remained supportive, helping offset some of the pressure created by elevated energy prices and inflation concerns. While economic growth may slow modestly later this year, the current combination of consumer activity, business investment, and labor market strength does not presently suggest a broad recessionary environment.

 Federal Reserve Bank of Atlanta

# 4.0%

Latest GDPNow Estimate for 2026:Q2

Updated: May 14, 2026

Next update: May 21, 2026

## Portfolio Strategy — What This Means for Investors

Periods of uncertainty often reinforce the importance of maintaining a disciplined, long-term investment strategy. Attempting to react emotionally to short-term headlines or market swings can make it difficult to stay focused on long-term financial goals.

Diversification, balance, and maintaining appropriate risk exposure continue to remain key principles during periods of volatility. While short-term market movements can be uncomfortable, longer-term market performance has historically been driven more by economic growth, earnings, and business investment trends than by temporary geopolitical events. Our focus remains on positioning portfolios to participate in long-term growth opportunities while helping manage risk during periods of uncertainty.



## Looking Ahead

While elevated oil prices and geopolitical tensions may continue to create periods of market volatility, several important areas of the economy remain supportive. Labor market conditions continue to appear stable, business investment remains strong, and economic growth has continued to exceed many expectations.

At the same time, investors should recognize that markets may experience periods of moderation after the strong rebound seen over the past several weeks. Temporary pullbacks and periods of consolidation are a normal part of market cycles and do not necessarily signal a broader economic reversal.

**As always, we continue to monitor economic conditions closely and will provide updates as new information becomes available.**

**Are you an employee or retiree with extended years invested in your benefits that's not currently working with us?** Let us help you take control of your financial future with straightforward guidance on optimizing contributions, allocation models, and benefit elections. **Contact us to schedule a meeting.**

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